

AMENDED IN ASSEMBLY MARCH 17, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2700

Introduced by Assembly Member Salas

February 19, 2016

An act to amend Section ~~454.51~~ 399.13 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 2700, as amended, Salas. Electrical corporation: *California Renewables Portfolio Standard Program*: procurement plans.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. ~~The Public Utilities Act requires the commission to review and accept, modify, or reject a procurement plan for each electrical corporation in accordance with specified elements, incentive mechanisms, and objectives. The act requires the commission to (1) identify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy resources in a cost-effective manner, (2) direct each electrical corporation to include, as part of its proposed procurement plan, a strategy for procuring best-fit and least-cost resources to satisfy the portfolio needs identified by the commission, (3) ensure that the net costs of any incremental renewable energy integration resources procured by an electrical corporation to satisfy the need identified by the commission are allocated on a fully nonbypassable basis, and (4) permit community choice aggregators to submit proposals for satisfying their portion of the renewable energy resource integration needs identified by the commission.~~ *The California Renewables Portfolio Standard Program*

requires the commission to establish a renewables portfolio standard requiring all retail sellers, defined as including an electrical corporation, to procure a minimum quantity of electricity products from eligible renewable energy resources, as defined, at specified percentages of the total kilowatthours sold to their retail end-use customers during specified compliance periods. The program requires the commission to direct each electrical corporation to annually prepare a renewable energy procurement plan to satisfy its procurement requirements pursuant to the program. As part of the renewable energy procurement plan process, the commission is required to adopt rules establishing a process that provides criteria for the rank ordering and selection of least-cost and best-fit eligible renewable energy resources to comply with the program's procurement obligations and requires that the criteria take specified matters into account, including workforce recruitment, training, and retention efforts, as specified.

~~This bill would make nonsubstantive revisions to the above-described requirements of the commission relative to integration of renewable energy resources to ensure a reliable electricity supply through the procurement plan process.~~

This bill would require that the criteria take into account jobs retained associated with contracting for existing eligible renewable energy resources. The bill would require the commission to update the criteria by July 1, 2017, to identify the value of maintaining existing baseload resources to achieve the goal of a balanced portfolio of eligible renewable energy resources.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 399.13 of the Public Utilities Code is
2 amended to read:
3 399.13. (a) (1) The commission shall direct each electrical
4 corporation to annually prepare a renewable energy procurement
5 plan that includes the matter in paragraph (5), to satisfy its
6 obligations under the renewables portfolio standard. To the extent
7 feasible, this procurement plan shall be proposed, reviewed, and
8 adopted by the commission as part of, and pursuant to, a general
9 procurement plan process. The commission shall require each
10 electrical corporation to review and update its renewable energy

1 procurement plan as it determines to be necessary. The commission
2 shall require all other retail sellers to prepare and submit renewable
3 energy procurement plans that address the requirements identified
4 in paragraph (5).

5 (2) Every electrical corporation that owns electrical transmission
6 facilities shall annually prepare, as part of the Federal Energy
7 Regulatory Commission Order 890 process, and submit to the
8 commission, a report identifying any electrical transmission
9 facility, upgrade, or enhancement that is reasonably necessary to
10 achieve the renewables portfolio standard procurement
11 requirements of this article. Each report shall look forward at least
12 five years and, to ensure that adequate investments are made in a
13 timely manner, shall include a preliminary schedule when an
14 application for a certificate of public convenience and necessity
15 will be made, pursuant to Chapter 5 (commencing with Section
16 1001), for any electrical transmission facility identified as being
17 reasonably necessary to achieve the renewable energy resources
18 procurement requirements of this article. Each electrical
19 corporation that owns electrical transmission facilities shall ensure
20 that project-specific interconnection studies are completed in a
21 timely manner.

22 (3) The commission shall direct each retail seller to prepare and
23 submit an annual compliance report that includes all of the
24 following:

25 (A) The current status and progress made during the prior year
26 toward procurement of eligible renewable energy resources as a
27 percentage of retail sales, including, if applicable, the status of any
28 necessary siting and permitting approvals from federal, state, and
29 local agencies for those eligible renewable energy resources
30 procured by the retail seller, and the current status of compliance
31 with the portfolio content requirements of subdivision (c) of
32 Section 399.16, including procurement of eligible renewable energy
33 resources located outside the state and within the WECC and
34 unbundled renewable energy credits.

35 (B) If the retail seller is an electrical corporation, the current
36 status and progress made during the prior year toward construction
37 of, and upgrades to, transmission and distribution facilities and
38 other electrical system components it owns to interconnect eligible
39 renewable energy resources and to supply the electricity generated
40 by those resources to load, including the status of planning, siting,

1 and permitting transmission facilities by federal, state, and local
2 agencies.

3 (C) Recommendations to remove impediments to making
4 progress toward achieving the renewable energy resources
5 procurement requirements established pursuant to this article.

6 (4) The commission shall adopt, by rulemaking, all of the
7 following:

8 (A) A process that provides criteria for the rank ordering and
9 selection of least-cost and best-fit eligible renewable energy
10 resources to comply with the California Renewables Portfolio
11 Standard Program obligations on a total cost and best-fit basis.
12 This process shall take into account all of the following:

13 (i) Estimates of indirect costs associated with needed
14 transmission investments.

15 (ii) The cost impact of procuring the eligible renewable energy
16 resources on the electrical corporation's electricity portfolio.

17 (iii) The viability of the project to construct and reliably operate
18 the eligible renewable energy resource, including the developer's
19 experience, the feasibility of the technology used to generate
20 electricity, and the risk that the facility will not be built, or that
21 construction will be delayed, with the result that electricity will
22 not be supplied as required by the contract.

23 (iv) Workforce recruitment, training, and retention efforts,
24 including *jobs retained associated with contracting for existing*
25 *eligible renewable energy resources*, the employment growth
26 associated with the construction and operation of eligible renewable
27 energy ~~resources~~ *resources*, and goals for recruitment and training
28 of women, minorities, and disabled veterans.

29 (v) (I) Estimates of electrical corporation expenses resulting
30 from integrating and operating eligible renewable energy resources,
31 including, but not limited to, any additional wholesale energy and
32 capacity costs associated with integrating each eligible renewable
33 resource.

34 (II) No later than December 31, 2015, the commission shall
35 approve a methodology for determining the integration costs
36 described in subclause (I).

37 (vi) Consideration of any statewide greenhouse gas emissions
38 limit established pursuant to the California Global Warming
39 Solutions Act of 2006 (Division 25.5 (commencing with Section
40 38500) of the Health and Safety Code).

1 (vii) Consideration of capacity and system reliability of the
2 eligible renewable energy resource to ensure grid reliability.

3 (B) Rules permitting retail sellers to accumulate, beginning
4 January 1, 2011, excess procurement in one compliance period to
5 be applied to any subsequent compliance period. The rules shall
6 apply equally to all retail sellers. In determining the quantity of
7 excess procurement for the applicable compliance period, the
8 commission shall retain the rules adopted by the commission and
9 in effect as of January 1, 2015, for the compliance period specified
10 in subparagraphs (A) to (C), inclusive, of paragraph (1) of
11 subdivision (b) of Section 399.15. For any subsequent compliance
12 period, the rules shall allow the following:

13 (i) For electricity products meeting the portfolio content
14 requirements of paragraph (1) of subdivision (b) of Section 399.16,
15 contracts of any duration may count as excess procurement.

16 (ii) Electricity products meeting the portfolio content
17 requirements of paragraph (2) or (3) of subdivision (b) of Section
18 399.16 shall not be counted as excess procurement. Contracts of
19 any duration for electricity products meeting the portfolio content
20 requirements of paragraph (2) or (3) of subdivision (b) of Section
21 399.16 that are credited towards a compliance period shall not be
22 deducted from a retail seller's procurement for purposes of
23 calculating excess procurement.

24 (iii) If a retail seller notifies the commission that it will comply
25 with the provisions of subdivision (b) for the compliance period
26 beginning January 1, 2017, the provisions of clauses (i) and (ii)
27 shall take effect for that retail seller for that compliance period.

28 (C) Standard terms and conditions to be used by all electrical
29 corporations in contracting for eligible renewable energy resources,
30 including performance requirements for renewable generators. A
31 contract for the purchase of electricity generated by an eligible
32 renewable energy resource, at a minimum, shall include the
33 renewable energy credits associated with all electricity generation
34 specified under the contract. The standard terms and conditions
35 shall include the requirement that, no later than six months after
36 the commission's approval of an electricity purchase agreement
37 entered into pursuant to this article, the following information
38 about the agreement shall be disclosed by the commission: party
39 names, resource type, project location, and project capacity.

1 (D) An appropriate minimum margin of procurement above the
2 minimum procurement level necessary to comply with the
3 renewables portfolio standard to mitigate the risk that renewable
4 projects planned or under contract are delayed or canceled. This
5 paragraph does not preclude an electrical corporation from
6 voluntarily proposing a margin of procurement above the
7 appropriate minimum margin established by the commission.

8 (5) Consistent with the goal of increasing California's reliance
9 on eligible renewable energy resources, the renewable energy
10 procurement plan shall include all of the following:

11 (A) An assessment of annual or multiyear portfolio supplies
12 and demand to determine the optimal mix of eligible renewable
13 energy resources with deliverability characteristics that may include
14 peaking, dispatchable, baseload, firm, and as-available capacity.

15 (B) Potential compliance delays related to the conditions
16 described in paragraph (5) of subdivision (b) of Section 399.15.

17 (C) A bid solicitation setting forth the need for eligible
18 renewable energy resources of each deliverability characteristic,
19 required online dates, and locational preferences, if any.

20 (D) A status update on the development schedule of all eligible
21 renewable energy resources currently under contract.

22 (E) Consideration of mechanisms for price adjustments
23 associated with the costs of key components for eligible renewable
24 energy resource projects with online dates more than 24 months
25 after the date of contract execution.

26 (F) An assessment of the risk that an eligible renewable energy
27 resource will not be built, or that construction will be delayed,
28 with the result that electricity will not be delivered as required by
29 the contract.

30 (6) In soliciting and procuring eligible renewable energy
31 resources, each electrical corporation shall offer contracts of no
32 less than 10 years duration, unless the commission approves of a
33 contract of shorter duration.

34 (7) In soliciting and procuring eligible renewable energy
35 resources for California-based projects, each electrical corporation
36 shall give preference to renewable energy projects that provide
37 environmental and economic benefits to communities afflicted
38 with poverty or high unemployment, or that suffer from high
39 emission levels of toxic air contaminants, criteria air pollutants,
40 and greenhouse gases.

1 (8) In soliciting and procuring eligible renewable energy
2 resources, each retail seller shall consider the best-fit attributes of
3 resource types that ensure a balanced resource mix to maintain the
4 reliability of the electrical grid.

5 (b) A retail seller may enter into a combination of long- and
6 short-term contracts for electricity and associated renewable energy
7 credits. Beginning January 1, 2021, at least 65 percent of the
8 procurement a retail seller counts toward the renewables portfolio
9 standard requirement of each compliance period shall be from its
10 contracts of 10 years or more in duration or in its ownership or
11 ownership agreements for eligible renewable energy resources.

12 (c) The commission shall review and accept, modify, or reject
13 each electrical corporation's renewable energy resource
14 procurement plan prior to the commencement of renewable energy
15 procurement pursuant to this article by an electrical corporation.
16 The commission shall assess adherence to the approved renewable
17 energy resource procurement plans in determining compliance
18 with the obligations of this article.

19 (d) Unless previously preapproved by the commission, an
20 electrical corporation shall submit a contract for the generation of
21 an eligible renewable energy resource to the commission for review
22 and approval consistent with an approved renewable energy
23 resource procurement plan. If the commission determines that the
24 bid prices are elevated due to a lack of effective competition among
25 the bidders, the commission shall direct the electrical corporation
26 to renegotiate the contracts or conduct a new solicitation.

27 (e) If an electrical corporation fails to comply with a commission
28 order adopting a renewable energy resource procurement plan, the
29 commission shall exercise its authority to require compliance.

30 (f) (1) The commission may authorize a procurement entity to
31 enter into contracts on behalf of customers of a retail seller for
32 electricity products from eligible renewable energy resources to
33 satisfy the retail seller's renewables portfolio standard procurement
34 requirements. The commission shall not require any person or
35 corporation to act as a procurement entity or require any party to
36 purchase eligible renewable energy resources from a procurement
37 entity.

38 (2) Subject to review and approval by the commission, the
39 procurement entity shall be permitted to recover reasonable
40 administrative and procurement costs through the retail rates of

1 end-use customers that are served by the procurement entity and
2 are directly benefiting from the procurement of eligible renewable
3 energy resources.

4 (g) Procurement and administrative costs associated with
5 contracts entered into by an electrical corporation for eligible
6 renewable energy resources pursuant to this article and approved
7 by the commission are reasonable and prudent and shall be
8 recoverable in rates.

9 (h) Construction, alteration, demolition, installation, and repair
10 work on an eligible renewable energy resource that receives
11 production incentives pursuant to Section 25742 of the Public
12 Resources Code, including work performed to qualify, receive, or
13 maintain production incentives, are “public works” for the purposes
14 of Chapter 1 (commencing with Section 1720) of Part 7 of Division
15 2 of the Labor Code.

16 *SEC. 2. By July 1, 2017, the commission shall update the*
17 *criteria for the rank ordering and selection of least-cost and best-fit*
18 *eligible renewable energy resources adopted pursuant to*
19 *subparagraph (A) of paragraph (4) of subdivision (a) of Section*
20 *399.13 to identify the value of maintaining existing baseload*
21 *resources to achieve the goal of a balanced portfolio of eligible*
22 *renewable energy resources.*

23 ~~SECTION 1. Section 454.51 of the Public Utilities Code is~~
24 ~~amended to read:~~

25 ~~454.51. The commission shall do all of the following:~~

26 ~~(a) Identify a diverse and balanced portfolio of resources needed~~
27 ~~to ensure a reliable electricity supply that provides optimal~~
28 ~~integration of renewable energy resources in a cost-effective~~
29 ~~manner. The portfolio shall rely upon zero carbon-emitting~~
30 ~~resources to the maximum extent reasonable and be designed to~~
31 ~~achieve any statewide greenhouse gas emissions limit established~~
32 ~~pursuant to the California Global Warming Solutions Act of 2006~~
33 ~~(Division 25.5 (commencing with Section 38500) of the Health~~
34 ~~and Safety Code) or any successor legislation.~~

35 ~~(b) Direct each electrical corporation to include, as part of its~~
36 ~~proposed procurement plan, a strategy for procuring best-fit and~~
37 ~~least-cost resources to satisfy the portfolio needs identified by the~~
38 ~~commission pursuant to subdivision (a).~~

39 ~~(c) Ensure that the net costs of any incremental renewable energy~~
40 ~~integration resources procured by an electrical corporation to satisfy~~

1 the need identified in subdivision (a) are allocated on a fully
2 nonbypassable basis consistent with the treatment of costs
3 identified in paragraph (2) of subdivision (c) of Section 365.1.

4 (d) Permit community choice aggregators to submit proposals
5 for satisfying their portion of the renewable energy resource
6 integration need identified in subdivision (a). If the commission
7 finds this need is best met through long-term procurement
8 commitments for resources, community choice aggregators shall
9 also be required to make long-term commitments for resources.
10 The commission shall approve proposals pursuant to this
11 subdivision if it finds all of the following:

12 (1) The resources proposed by a community choice aggregator
13 will provide equivalent integration of renewable energy resources.

14 (2) The resources proposed by a community choice aggregator
15 will promote the efficient achievement of state energy policy
16 objectives, including reductions in emissions of greenhouse gases.

17 (3) Bundled customers of an electrical corporation will be
18 indifferent from the approval of the community choice aggregator
19 proposals.

20 (4) All costs resulting from nonperformance will be borne by
21 the electrical corporation or community choice aggregator
22 responsible for them.